Week 03

Capsule – B: Management & Leadership

Instructor – Maria Mohsin
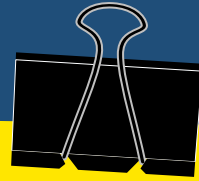
Unit # 3:

The Management Challenge

Instructor: Maria Mohsin

Organizational Environment
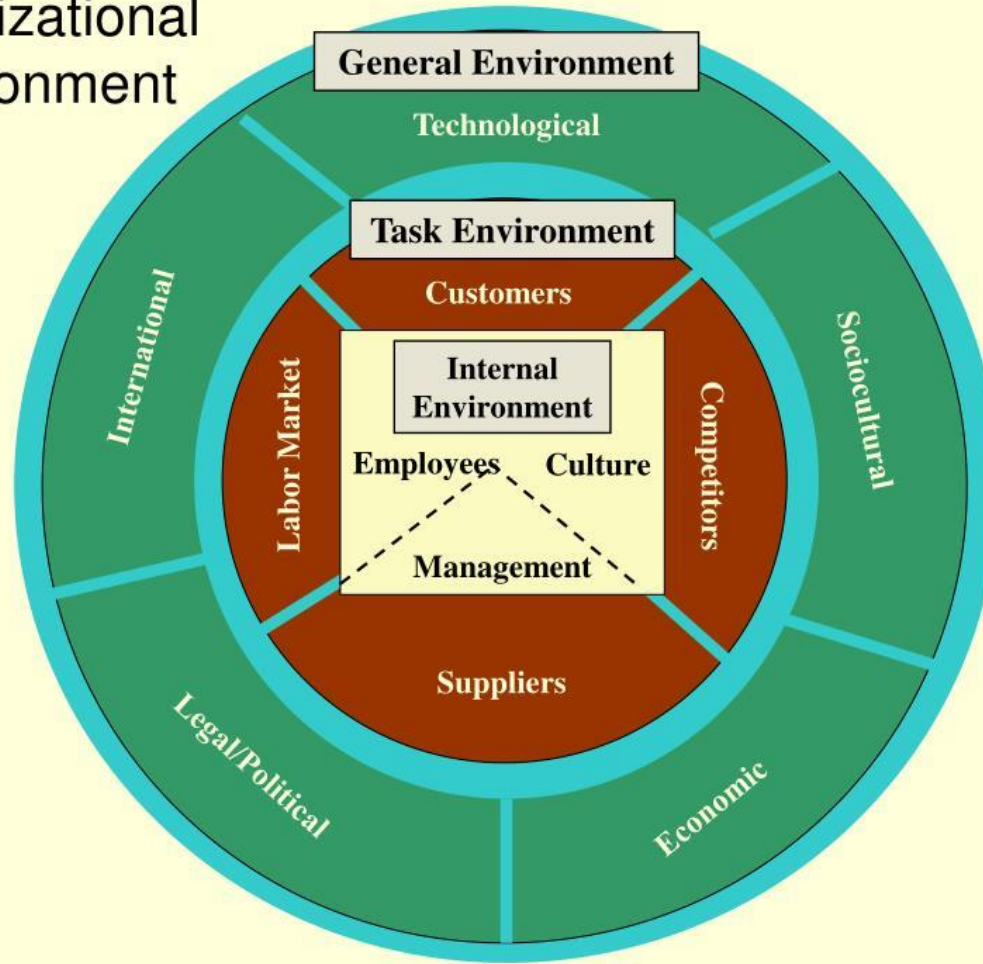
External Environment

All elements existing outside the boundary of an organization having a potential to effect the organization – **External Environment.**
Example;

- Competitors
- Resources
- Technology
- Economic Conditions

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        ┌─────────────────────┐
        │      External       │
        │    Environment      │
        └─────────────────────┘
                  │
        is further conceptualized to
           as having two layers
                  │
        ┌─────────┴─────────┐
        │                   │
┌───────────────┐   ┌───────────────┐
│   General     │   │     Task      │
│ Environment   │   │  Environment  │
└───────────────┘   └───────────────┘
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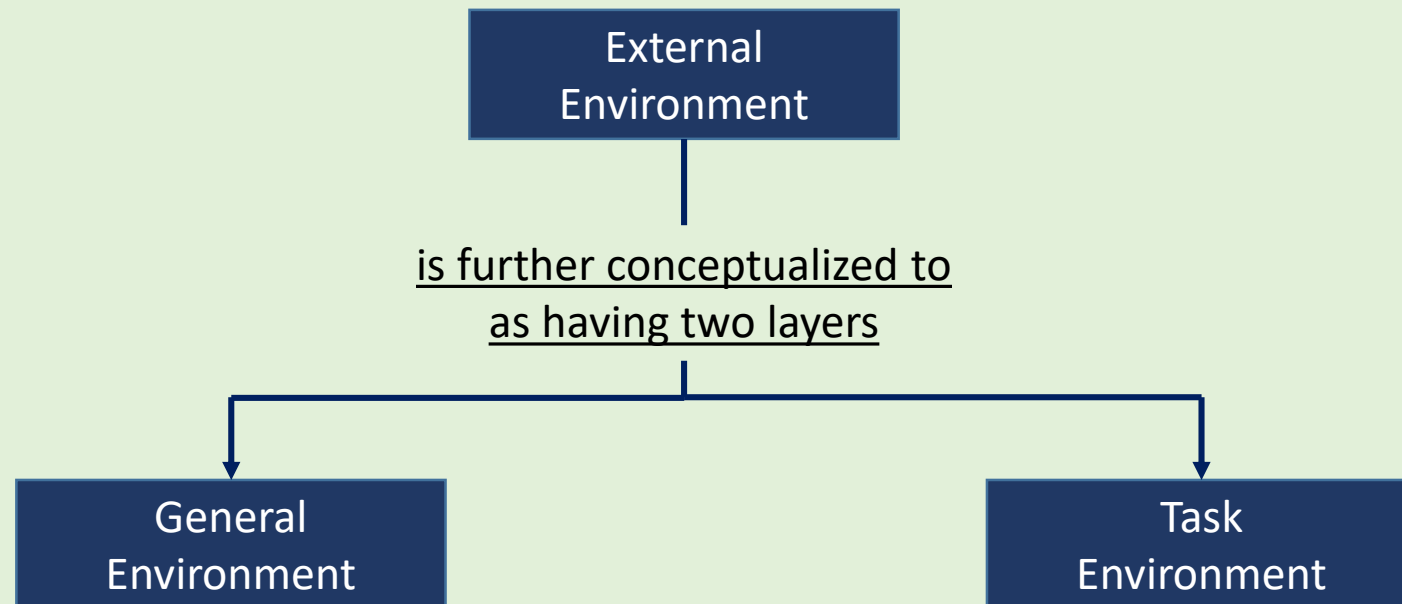
External Environment

General Environment	Task Environment

❖ is the outer layer
❖ widely dispersed
❖ effects the organization indirectly
❖ Examples;
    ▪ Social
    ▪ Demographic
    ▪ Legal / political
    ▪ Technological
    ▪ Economical
 	
These do not directly effect the day to day operations of an organization
	❖ closer to the organization
	❖ not widely dispersed
	❖ effects the organization basic operations directly
	❖ Examples;
	    ▪ Competitors
	    ▪ Labor market
	    ▪ Suppliers
	    ▪ Customers
	
	Includes the sectors that conduct day to day transactions with the organization

External Environment – General Environment

Dimension 1 – International

- ❖ *This represents events originating in foreign countries i.e. providing access to new competitors, customers and suppliers.*

- ❖ *It also represents providing opportunities for American Companies in other countries.*

- ❖ *Today, every company has to compete on a global basis.*

- ❖ *This results in shaping the social, technological and economic trends as well.*

- ❖ *The global environment represents an ever-changing and un-even playing field compared with the domestic environment.*

- ❖ *A drop in the USD foreign exchange rates lower the prices of the US products overseas, increasing export competitiveness.*

- ❖ *When operating globally, Managers have to consider legal, political, sociocultural and economic factors not only in their home country but various other countries as well*

Dimension 2 – Technological

- ❖ *The dimension of the general environment that includes scientific and technological advancements in the industry and the society at large.*

- ❖ *This dimension has created massive and far-reaching changes for organizations in all industries.*

- ❖ *Fifteen years ago, many organizations didn't even use computers*

- ❖ *Today, computer networks, internet access, videoconferencing capabilities, cell phones, fax machines, pagers & laptops are practically taken for granted as the minimum tools for doing business.*

- ❖ *Wireless technology and software applications are making the internet easily accessible.*

- ❖ *Many small organizations are shifting and are adopting technologically sophisticated e-business methods and private networks to handle their operations.*

External Environment – General Environment

❖ *This represents the demographic characteristics as well as norms, customs and values of the general population*

❖ *Important characteristics include;*
- Geographical distribution
- Population density
- Age
- Education levels

1. By 2050, non-Hispanic whites will make up only about half of the population, down from 74 percent in 1995. Hispanics are expected to make up nearly a quarter of the U.S. population.[14]

2. The huge post–World War II baby-boom generation is aging and losing its interest in high-cost goods. Meanwhile, their sons and daughters, sometimes called Generation Y, rival the baby boomers in size and will soon rival them in buying power.

3. The fastest-growing type of living arrangement is single-father households, which rose 62 percent in 10 years, even though two-parent and single-mother households are still much more numerous.[15]

4. The U.S. will continue to receive a flood of immigrants, largely from Asia and Mexico.

Dimension 4 – Economic

- ❖ *This represents the overall economic health of the country or region in which the organization functions*

- ❖ *Important characteristics include;*
  - ▪ Consumer purchasing power
  - ▪ Unemployment rate
  - ▪ Interest rates

- ❖ *Because of organizations operations in a global environment has become exceedingly complex*

- ❖ *One of the significant trend in the economic environment is the frequency of mergers and acquisitions*

External Environment – General Environment

Dimension 5 – Legal - Political

❖ *The dimension of the general environment that includes federal, state and local government regulations and political activities designed to influence company behavior.*

❖ *This also includes the political activities that are designed to influence the company.*

❖ *Example: The US political system encourages* **capitalism** *(*the economic system in which a country's trade and industry are controlled by private owners for profit, rather than by the state) and the government tries not to overregulate business.

❖ *The* federal government influences the organizations through the following;

- Fair trade practices
- statutes allowing lawsuits against business
- consumer protection legislation
- product safety requirements
- import & export restrictions
- information & labeling requirements

Litigation and Regulations!!!

❖ In the USA the government influences organizations through Occupational Safety and Health Administration (OSHA), Environmental Protection Agency (EPA)

Dimension 5 – Legal - Political

❖ ***Pressure Groups***

❖ *An interest group that works within the legal-political framework to influence companies to behave in socially responsible ways.*

❖ It is the responsibility of the Manager to identify the pressure groups in order to maintain the smooth functioning of daily operations of the organizations

❖ Pressure groups can exert influence by **finding allies in the media, by organizing protest marches, and by running marketing campaigns to express their concerns**.

❖ Examples:

- Tobacco companies today are certainly feeling the far-reaching power of anti-smoking groups.

- Activists protested against the giant retail markets on environmental issues as they are destroying the quality of small town-life.

Dimension 1 – Customers

- ❖ *People and organizations in the environment who acquire goods or services from the organization*

- ❖ As recipients of the organization's output customers are important because **they determine the organization success.**

- ❖ Patients are the customers of hospitals, students of educational institutes, travelers of the airlines.

- ❖ Clothing brands have to stay constantly in touch with shifting customer tastes.

LEVI'S

Levi Stratus (Levi's) fortunes have faded faster than a pair of new jeans in recent years because of company's failure to respond to quickly change in fashion trends i.e. flared legs, cargo pockets, baggy pants. Young fashion conscious consumers thinks of Levi's as "for the older generation".

Other concern for Managers is the Internet which has given increased power to customers and enabled them to directly impact the organization.

"You've got to assume that everyone knows everything"

External Environment – Task Environment

Dimension 2 – Competitors

❖ *"Other organizations in the same industry or type of business that provide goods or services to the same set of customers"*

❖ *Each industry is characterized by specific competitive issues*

❖ Examples:

- Coke & Pepsi continue to battle it out for the soft drinks market

- UPS & FedEx are fighting for the overnight delivery wars

❖ *Other examples of competitors*

External Environment – Task Environment

Dimension 3 – Suppliers

❖ *"People and organizations who provide the raw materials that the organizations uses to produce its output are called suppliers."*

❖ The relationship between a supplier and a manufacturer has traditionally been an adversarial one

❖ But organizations now find that cooperation is the key to saving money, maintaining quality and speeding products to market

❖ Examples:

  ▪ A steel mill requires iron ore, machines and financial resources

  ▪ A small and private university may utilize hundreds of suppliers for stationary, cafeteria foods, computers, buses, fuel, electricity, textbooks, internet etc.

❖ **Many companies now use fewer suppliers and try to build good relationships with them so that they receive high quality parts at low prices.**
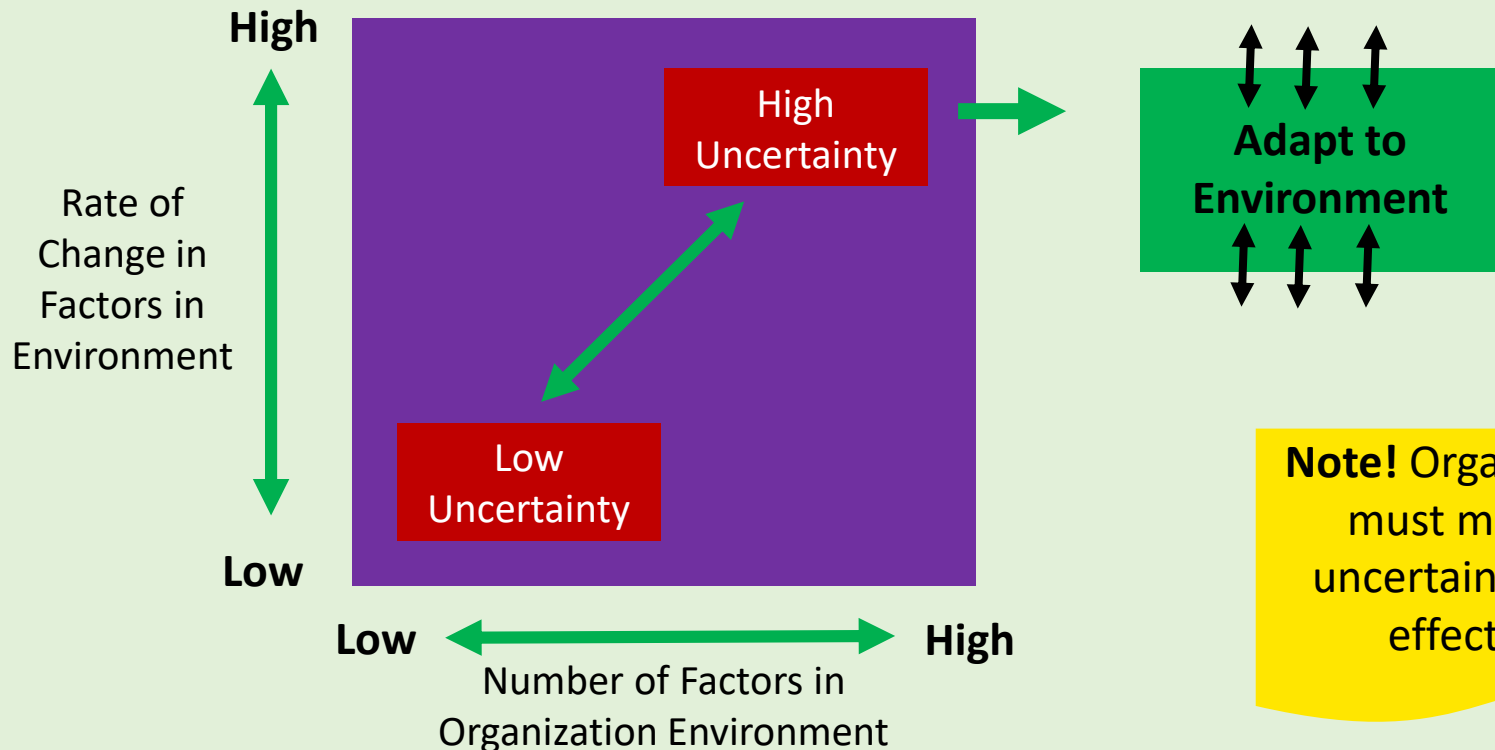
Dimension 4 – Labor Market

❖ ***Labor market –*** *the people available in the environment who can be hired to work for the organization*

❖ Every organization needs a supply of trained, skilled and qualified personnel.

❖ Labor forces effecting organization operations and rights includes

- The growing need for computer literate needs information technology workers

- The necessity for continuous investment in training and educating, recruiting skilled staff to meet the competitive demands of the borderless world.

- The effects of automations and shifting plant locations upon labor dislocations creating unused labor pools in some areas and shortages in others.

Environmental Uncertainty

Uncertainty means that managers do not have sufficient information about environmental factors to understand and predict environmental needs and changes.

High

Rate of Change in Factors in Environment

High Uncertainty

→ **Adapt to Environment**

Low Uncertainty

Low

Low ←→ High

Number of Factors in Organization Environment

Note! Organizations must manage uncertainty to be effective!

Uncertainty are the *number of factors* that affect the organization and the *extent* to which *these factors change.*

Environmental Uncertainty

- ❖ **Rapid Change in External Factors**, *the organization experiences very high uncertainty; e.g.*
  - telecommunications and aerospace firms
  - computer & electronic companies
  - e-commerce organizations – that sell products & services over the internet.

- ❖ **Stable or Low Change in External Factors,** *managers experience low uncertainty and devote less attention to external issues; e.g.*
  - soft drink bottles
  - food processors

Adapting to the Environment

❖ **Increased Uncertainty** *due to the following reasons;*
- Competition
- Customers
- Suppliers
- Government regulations

❖ **Strategies used for adapting these changes**
- Boundary spanning roles
- Inter-organizational partnerships
- Mergers or joint ventures
- Flexible structures

❖ **Organic Organizations –** the *structure where all the employees are placed at equal levels*.

❖ **Handle uncertain changes** through creating several teams for handling changes in raw materials, new products, government regulations or marketing.

Internal Environment

*All elements existing within the boundary of an organization – **Internal Environment.***

Employees

Management

Other elements
- ❖ Production Technology
- ❖ Organization Structure
- ❖ Physical Facilities

Culture

An organization draws resources from the external environment and releases the goods and services to it, through utilization of the resources in the internal environment.

Internal Environment – Corporate Culture

Culture

The set of values, beliefs, understandings and norms shared by members of an organizations

The concept of culture helps managers understand the hidden, complex aspects of organizational life.

Corporate Culture has surfaced as extremely important to competitive advantage.

Culture is a **pattern** of shared values and assumptions about how things are done with in an organization.

Internal Environment – Corporate Culture

Levels of Corporate Culture

Culture that can be seen at the surface level

Visible
Artifacts such as dress, office layout, symbols, slogans, ceremonies

Invisible
Expressed values or Underlying assumptions & deep beliefs such as "people here care about one another like a family"

Deeper values and shared understandings held by organization members
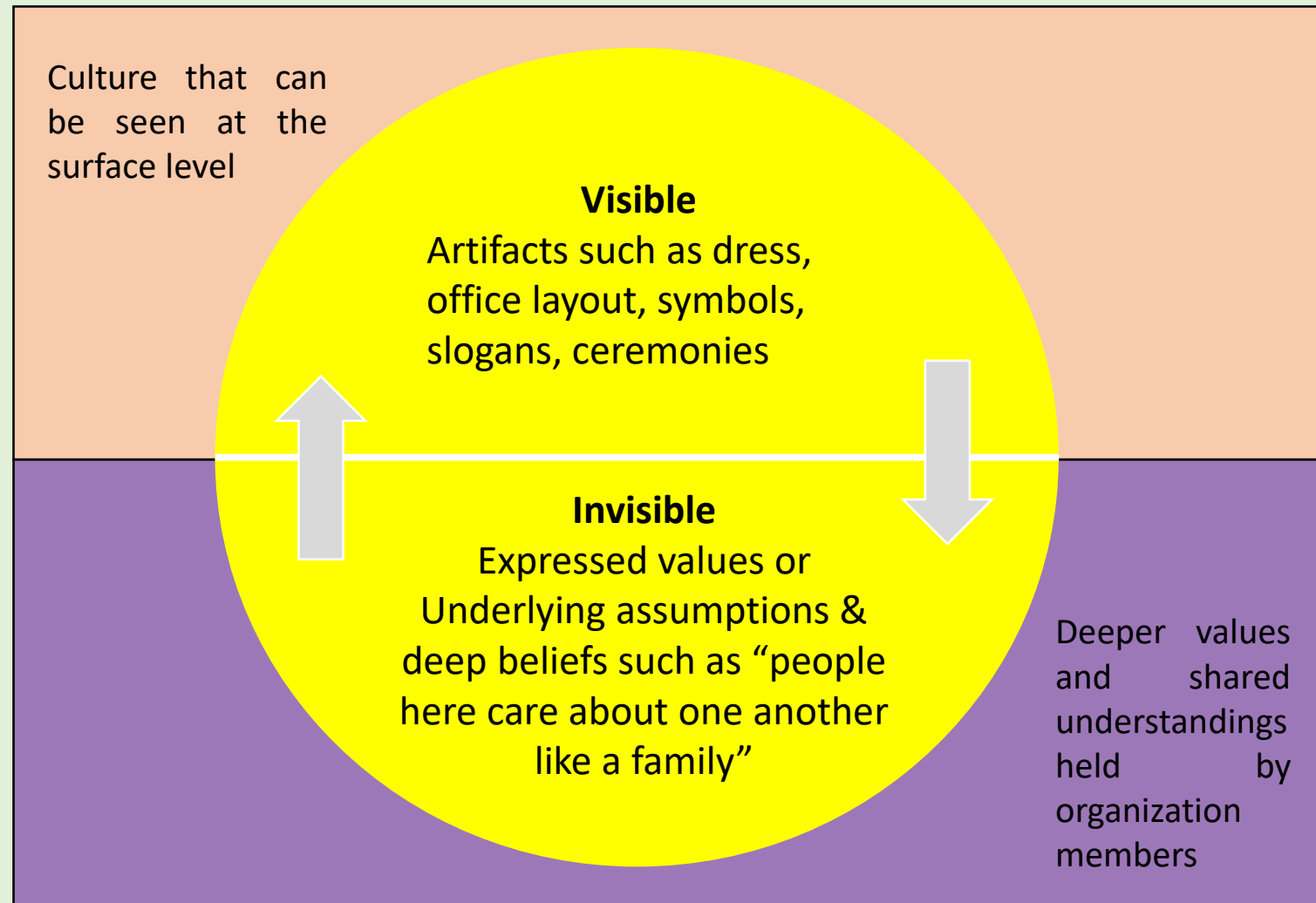
Internal Environment – Corporate Culture

Levels of Corporate Culture

Visible Factors – *are all the things that one can see, hear and observe by watching members of the organizations*

These are the factors members of the organizations hold at a deeper level / at a conscious level, which are interpreted from;

- Stories

- Languages

- Organization symbols

- Slogans

- Heroes

- Ceremonies

Symbols

❖ **Symbols** *are an object or an act of event that conveys meanings to others*

❖ The symbolic approach to corporate culture is used to build the company brand while organizing and defining the workplace. Example;

- Name Tags

- Marked parking spaces

- Offices with labels

- Listed job titles

- Naming conference halls after good performing employees

- Presenting an artwork office wall "highlighting the work / employees of the month"

❖ A symbolic approach is commonly used to motivate employees.

❖ The way a company uses symbolism in their work environment ultimately has a major influence on the day to day operations and the way employees interact and perform their duties

❖ The way a company uses a symbolic approach is dependent on leadership

Stories

❖ **Stories –** *are narratives based on true events that is frequently repeated and shared among organizational employees.*

❖ Stories are being told to new employees to keep the organization's primary values alive.

3M

Think about a company like 3M, which is known for coming up with innovative new products. One of the stories that's repeated to this day throughout the company is about how Spencer Silver, one of the company's chemists, "accidentally" invented the Post-It note back in the 1960s. Mr. Silver, as the story goes, was working on creating a new kind of adhesive and wound up with one that was weak enough to be removable. The problem was he couldn't find any practical use for his new glue and he labored for more than 12 years to find one. It wasn't until a colleague of his, Art Fry, heard about his work and realized it could help him by bookmarking the pages in his choir's hymnbook without damaging the pages. Voila! Soon thereafter, Post-It notes exploded onto the market. 3M currently makes more than 50 billion of them a year. This story is so powerful for 3M because it reinforces the idea that innovative ideas can literally come from anywhere.

Internal Environment – Corporate Culture

Stories

FedEx

Another great story comes from FedEx--the overnight delivery service started by Fred Smith back in 1971 in Memphis, Tenn. Back in it's earliest days the company was trying to make a name for itself by guaranteeing that any package could be delivered just about anywhere overnight.

As the company lore says, one of the company's drivers was out late one snowy night in the hinterlands of the Midwest to check a drop-off box for any packages. Only, when he got to the box, the lock was frozen solid and the key broke off in the lock. After trying in vain to reach the packages inside, the driver finally made the decision to drive to a nearby auto garage where he borrowed a torch, which he then used to cut the legs off the box. The driver then put the box into his truck and delivered the box to the airport where a maintenance team was able to drill it open, remove the packages inside and get them on the plane to their final destination.

The point of the story, of course, is that it reinforces that message that FedEx will positively do everything it can do to get your package to its destination on time. No corporate slogan could be more powerful about communicating this aspect of the FedEx culture than this simple story.

Internal Environment – Corporate Culture

Heroes

❖ **Heroes –** *a figure who exemplifies the deeds, character and exhibits attributes of a strong corporate culture.*

❖ They are role models for employees to follow.

❖ The deeds of the heroes are out of ordinary but not so far as to be unattainable by other employees.

❖ Heroes show how to do the right thing in the organization.

❖ Companies with strong cultures take advantages of achievements to define heroes who upload key values

Examples

- **Squad Leader**
- **Business Meetings Lead**
- **Recognition Lead**
- **Activities Leader**
- **Culture Ambassadors**

When you bring a group of extremely talented people to become part of a culture driving initiative, a remarkable amount of energy and creativity will be released, and these culture heroes will champion performance, loyalty, and engagement across the organization

They say **"it takes a village**," but it's worth the effort.

Internal Environment – Corporate Culture

Slogans

❖ **Slogans –** *a phrase or sentence that succinctly expresses a key corporate value*

❖ These are normally used to convey special meaning / information to employees

Internal Environment – Corporate Culture

Ceremonies

❖ **Ceremonies –** *is a planned activity that makes up a special event and is conducted for the benefit of an audience.*

❖ They are special occasions that reinforce valued accomplishments, create a bond among people by allowing them to share an important event and celebrate heroes.

❖ The value of an event can be illustrated by the presentation of a major award.

❖ The ceremonies / corporate events have the following fruitful results
- Connections & networking
- Continuity
- Employee engagement
- Onboarding & training
- Habits

Environment & Culture

External environment has an influence over corporate culture

Organizations within the same industry may often reveal similar cultural characteristics

Internal culture should embody what it takes to succeed in the environment.

Adaptive & Non-Adaptive – Corporate Culture

	Adaptive	Non - Adaptive
Visible Behavior	Managers pay close attention to all their constituencies, especially customers and initiate change when needed to serve their legitimate interests, even if it entails taking risks.	Managers tend to behave somewhat insularly, politically and bureaucratically. As a result they do not change their strategies quickly to adjust or take advantages of changes in their businesses environments.
Expressed Values	Managers care deeply about customers, stockholders and employees. They also strongly value people and processes that can create useful change (e.g. leadership initiatives up & down the management hierarchy.	Managers care mainly about themselves, their immediate work group or some product (or technology) associated with that workgroup. They value the orderly and risk reducing management process much more highly than leadership initiatives.

A strong corporate culture alone did not ensure business success unless the culture encouraged healthy adaptation to the external environment.

Types of Culture

Cultural values important for the organization are considered based on the external environment and the company's strategy and goals.
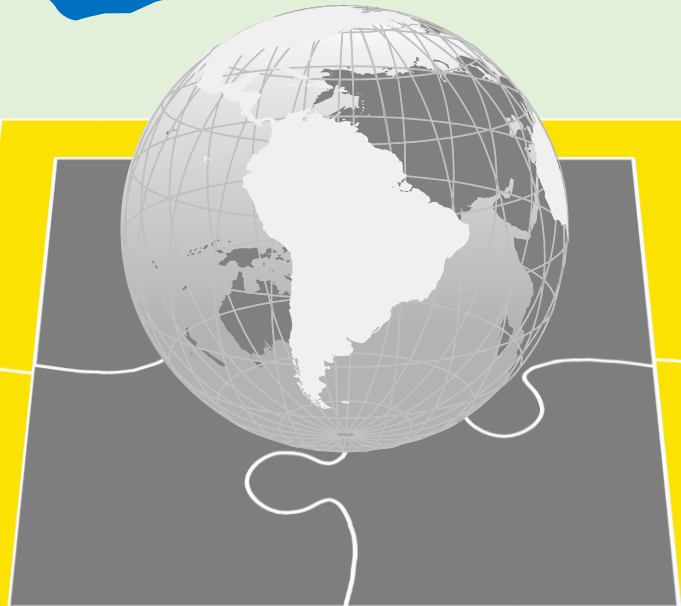
Needs of the Environment

	Flexibility	Stability
External	**Adaptability Culture**	**Competitive / Achievement Culture**
Internal	**Cooperative / Involvement Culture**	**Bureaucratic / Consistency Culture**

Strategic Focus

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Adaptability Culture
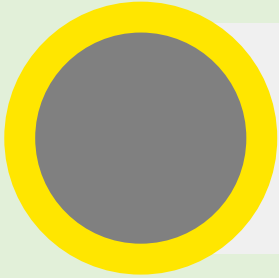
Emerges in an environment that requires fast response and high-risk decision making.
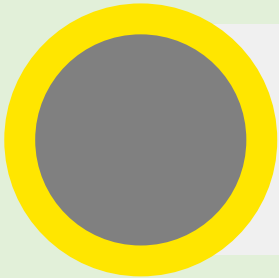
Managers encourage values that support the company's ability to rapidly detect, interpret, and translate signals from the environment into new behavior responses.
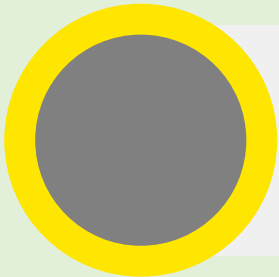
Employees have autonomy to make decisions and act freely to meet new needs, and responsiveness to customers is highly valued.
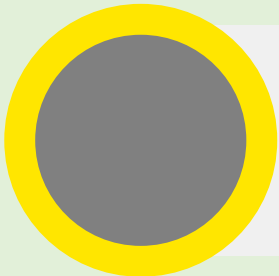
Creativity, experimentation and risk-taking is rewarded

Achievement Culture
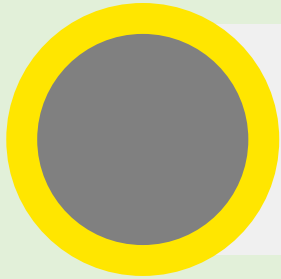
Suitable for organizations that are concerned with serving specific customers in the external environment but without the intense need for flexibility and rapid change.
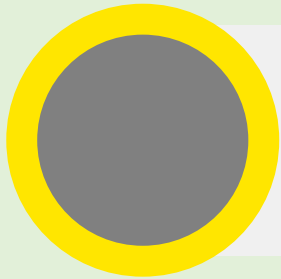
Result oriented culture that values competitiveness, aggressiveness, personal initiative, and willingness to work long and hard to achieve results.

Clan Culture
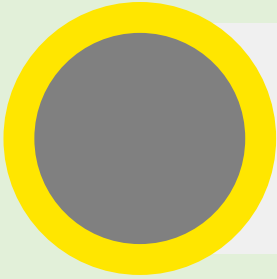
Internal focus on the involvement and participation of employees to rapidly meet changing needs from the environment.
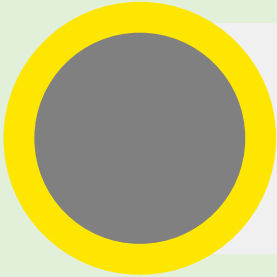
High value is placed on meeting the needs of employees, and the organization may be characterized by a caring, family-like atmosphere.
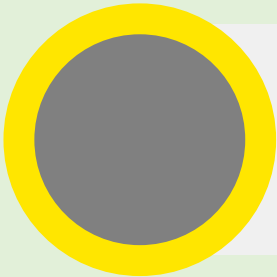
Values encouraged are cooperation, consideration (both employees and customers), and avoiding status differences.
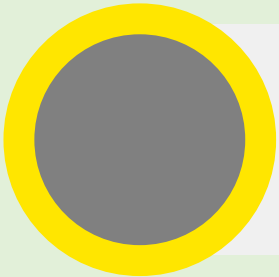
Bureaucratic Culture
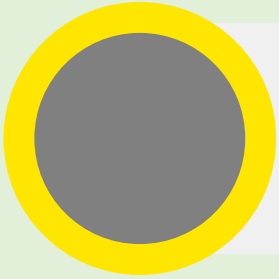
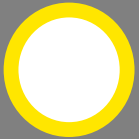Internal focus and consistency orientation for a stable environment.
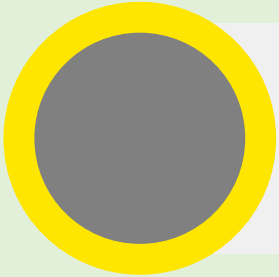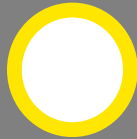
Rule following and thriftiness is valued.

Culture supports and rewards a methodical, rational, orderly way of doing things.

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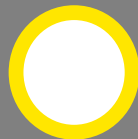
Managing Culture in the New Workplace

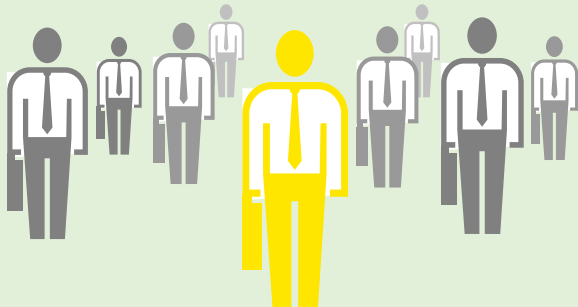Following are the ways through which culture can be managed at a new workplace;

- **Increasing emphasis on selection and socialization of new employees.**

- **Written company values and their distribution in various forms; newsletters and magazines, videos, training classes etc.**

- **One key aspect of shaping culture in all organizations is cultural leadership.**
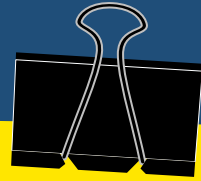
Cultural Leadership

A manager who uses signals and symbols to influence corporate culture.

1. Articulates a vision for the organization culture that employees can believe in and that generates excitement.

2. Heeds the day to day activities that reinforce the cultural vision.

The End

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